

CITY OF CYPRESS FUND DEFINITIONS

CITY BUDGET:

General Fund- This fund accounts for all revenues and expenditures that are not accounted for separately. The revenues consist of general taxes, user charges, certain fines, and investment earnings. The expenditures include police services, city public works engineering and maintenance, city planning, building safety and administrative services.

Capital Improvement Projects (CIP) Fund- This fund was established to account for capital improvement projects funded from the general revenues of the City. The primary funding source for these projects is an annual transfer from the General Fund. Types of projects funded include annual residential street resurfacing, sidewalk repair, public facility projects and the reimbursement of Warland Drive construction.

Infrastructure Reserve Fund- This fund was established to account for accumulated monies that will be used to fund capital improvement projects funded from the general revenues of the City. This fund provides a reserve to accumulate funds for projects that could not be funded within the fiscal constraints of a single year. The primary funding source for the accumulation of these monies is an annual transfer from the General Fund. Annual transfers out are made to fund specific projects budgeted in the City's CIP fund and the Storm Drain Fund. The Infrastructure Reserve Fund has loaned a portion of these accumulated monies to the Sewer Fund and the Redevelopment Agency, which causes a significant portion of the accumulated fund balance to be reserved and thus unavailable to fund infrastructure improvements until the loans are repaid.

Traffic Safety Fund- This fund is established as a result of Vehicle Code section 42200, which provides that fines and forfeitures received as a result of arrest by city officers for vehicle code violations must be deposited in a special fund. The fund may only be expended for traffic control devices and the maintenance thereof, the maintenance of equipment and supplies for traffic law enforcement and traffic accident prevention, the maintenance, improvement, or construction of public streets, bridges, and culverts, and the compensation of school crossing guards who are not full-time members of the police department. The funds may not be used to compensate traffic or police officers. The City annually transfers these funds to cover appropriate expenses in the General Fund. At year end there is no fund balance.

Special Gas Tax Funds: The State Gas Tax equals 18 cents per gallon and Cities receive a portion (3.39 cents) based on population under different sections of the Streets and Highway Code. A separate fund is established under each section as follows:

Section 2105 Revenue Fund- Under this fund, the Cities receives 11.5% of the state tax over 9 cents a gallon (1.035 cent). The monies received must be used for street purposes under a maintenance of effort (MOE) requirement. All street maintenance costs are accounted for in the General Fund and an annual transfer is made from this fund to the General Fund when the MOE is achieved.

Section 2106 Revenue Fund- Under this fund, Cities receive \$400 per month plus a portion rationed by assessed valuation of tangible property by county and then allocated by population. The amount allocated to the Cities amounts to 1.04 cents a gallon. These funds must be used for street construction, improvements and right of way. These types of capital improvement expenditures are accounted for in the special fund and funds may be carried over.

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Section 2107/2107.5 Revenue Fund- Under this fund, Cities receive an amount equal to 1.315 cents per gallon. The section 2107 amount is allocated to cities based on population and is restricted to street maintenance expenses. The section 2107.5 revenue is allocated to cities based on a population range in amounts from \$1,000 to \$20,000. Cypress receives \$6,000 annually. These funds are restricted to engineering costs and administrative expenses with respect to city streets. The costs are accumulated in the General Fund and an annual transfer is made to cover the approved expenses.

Section 2103 Revenue Fund- Under this fund, which was created in FY 2010-11, Cities receive an allocation from a new motor vehicle fuel excise tax that replaces the previous allocation from the Proposition 42 sales tax on gasoline. This change is known as the “fuel tax swap of 2010” and revenues are allocated to Cities on a per capita basis. These funds may be used for street construction, improvements and right of way maintenance.

Traffic Mitigation Assessment Fund- This fund was established to account for traffic fees assessed to developers. The funds may only be expended for traffic mitigation purposes as defined in the fee resolutions.

Regional Traffic Fee Fund- This fund accounts for the impact fee charged to development and used to mitigate regional traffic impacts.

Lighting District No. 2 Fund- This special district was established in 1961 to pay for street lights in the City. The ad valorem taxes received are a portion of the 1% Basic Property Tax levy. The expenses are restricted to lighting costs (operating, repairing and replacing) as defined under the Street Lighting Act of 1919. The City, under its charter powers, has expanded the use of these funds to include traffic signal maintenance and park lighting.

Planned Local Drainage Facilities Fund- This fund accounts for fees charged developers for citywide drainage facilities. These monies are restricted for the drainage facilities and may not be used for ongoing maintenance. The funds are being accumulated for future projects as defined in the fee resolution/ master drainage plan.

Stanton Channel Maintenance District Fund- This fund accounts for a special assessment charged to the certain businesses for the maintenance of the Stanton Channel landscaped berm in the business park. The monies received through the special assessment are restricted for only expenses defined in the annual resolution adopted by Council.

CATV PEG Grant Fund- This fund accounts for monies received from Time Warner TWE, the City’s cable television operator, per the terms of a cable franchise transfer agreement and MOU approved in June 2006 for a 10-year period. The Initial PEG Grant and the Ongoing PEG Grant funds may be used for equipment, facilities, and ongoing staffing and non-capital support for both one-way video PEG access services and two-way interactive PEG access services (collectively, “PEG Access Support”), at the City’s sole discretion.

Narcotics Asset Seizure Fund- This fund accounts for monies received under Federal and State laws relevant to drug asset seizure. The monies received must be accounted for separately, but are otherwise unrestricted on their use as long as the funds do not supplant the budget. Asset Seizure funds are distributed to the agency under a formula listed in HS 11489.

Supplemental Law Enforcement Services Fund- This fund accounts for funds allocated statewide to law enforcement in a block grant format under AB3229. Also known as the State Citizens’ Option for Public Safety (COPS) program, monies are allocated annually by the State based on population, and require a separate fund be established. The funds can only be spent for “front line municipal police services” approved by the City Council.

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Mello-Roos District Administration Fund- This fund accounts for the City's administration of the Community Facilities District (Sorrento Homes). These funds are restricted to the CFD costs as they were assessed for that purpose from the landowners in Sorrento.

Measure M Gas Tax Fund- This fund accounts for the City's share of Measure M monies. Measure M is the half cent sales tax for countywide transportation improvements, approved by Orange County voters in November 1990 and extended in November 2006. Based on population ratio, Cities receive "local turnback" monies which are equivalent to 14.6% of the net sales tax received by the OCTA. Cities must fulfill the maintenance of effort spending and certain administrative requirements, such as a Growth Management Plan, to receive the funds. This money must be used for local street projects as well as ongoing maintenance of local streets and roads. In addition, the City competes for Combined Transportation Funding Programs (CTFP) approved by the OCTA Board of Directors. These CTFP funds are additional revenues beyond the "turnback" and are restricted for the specific projects approved by the OCTA Board.

AB 2766 Fund- This fund accounts for revenues received under the AB 2766 Subvention which is collected as part of the Motor Vehicle registration. The funds received are restricted to expenditures that relate to reducing vehicle emissions.

Sewer Fund- This fund accounts for the maintenance of and improvements made to the City's sewer system. Revenues consist of property taxes and fees on the water bills to all residents and businesses. The City's Infrastructure Reserve Fund has also provided additional funding in the form of a loan which will be repaid from future user charges when such monies are available. The monies in this fund are restricted to sewer maintenance and construction costs.

Storm Drain Fund- This fund accounts for the maintenance of the City's storm drainage system. Revenues consist of a designated portion of the City Services Charges on the bimonthly water bills to residents and businesses, as well as annual operating transfers from the General Fund and the Infrastructure Reserve Fund. The monies are designated for storm drainage maintenance and construction costs.

Traffic Congestion Relief Fund- This fund was established to account for revenues received from the State of California under Proposition 42 that were restricted to use for certain street maintenance and street improvement costs. Beginning in FY 2010-11, the State discontinued this revenue source and replaced it with Section 2103 Special Gas Tax revenues as part of the "fuel tax swap of 2010".

Civic Center Refinancing Debt Service Fund- This fund accounts for the receipts and debt service payments on the 2001 Lease Revenue Bonds which refinanced the 1991 Certificates of Participation. The receipts are tax increment monies from the Civic Center Redevelopment Area that are transferred from the Redevelopment Agency to the City per the Reimbursement Agreement dated July 1, 1991. The expenses are restricted to principal and interest payments to the certificate holders and trustee costs.

RECREATION & PARK DISTRICT BUDGET:

Cypress Recreation and Park District General Fund- This fund accounts for all the receipts and expenditures of the Recreation and Park Special District. The revenues of the District include a portion of the 1% Basic Property Tax, user fees and special funding from other government agencies (including grants, subventions, etc.). The expenses are restricted to recreation and park activities, including park maintenance and recreation programs.

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Park Development Fund- This fund accounts for the development fees collected under the Quimby Act of 1965. The Act authorizes the City/District to require from a subdivider the dedication of land, the payment of fees in-lieu thereof, or a combination of both, for park or recreational purposes as a condition of a subdivision map. All fees paid in-lieu thereof must be used only for the purpose of providing park or recreational facilities to serve the subdivision. These funds cannot be used for operations.

REDEVELOPMENT AGENCY BUDGET:

The Redevelopment Agency consists of three types of funds; project area operating funds, project area debt service funds, and a 20% low and moderate housing set aside fund.

The operating funds account for the operations of the project area including administration, development assistance and property purchases. The source of monies for the operating funds occurs by transferring monies from the debt service funds subsequent to receiving proceeds of debt. These proceeds of debt include loans from the City, long term debt instruments and owner participation agreements.

The debt service funds account for the payment of the debt established by the operating funds and the receipts of tax increment revenue. The expenses are restricted to principal and interest payments on the debt, pass through payments to other agencies per agreements, and the transfer of 20% of the tax increment to a separate housing fund.

While the three project areas were merged in 2005, the Agency continues to budget each project area separately, with each project area having its own separate operating and debt service funds. The Redevelopment Agency's funds are as follows:

Civic Center Project Area Operating and Debt Service Funds
Lincoln Avenue Project Area Operating and Debt Service Funds
Los Alamitos Racetrack & Golf Course Project Area Operating and Debt Service Funds

The **20% Low and Moderate Housing Set Aside Fund** accounts for the transfer of tax increment monies and the expenses relating to low and moderate housing as defined by Redevelopment Law.

INTERNAL SERVICE FUNDS:

The Internal Service Funds (ISF) are used to account for goods and services provided to other departments on a cost reimbursement basis. Since the other departments/funds are charged within their budgets for these services, the internal service funds are not included in the adopted budget as that would duplicate costs. The ISF accounts are informally budgeted to determine the amounts to be charged to the operating departments. The ISF include the following funds:

The **Central Services/Print Shop/Warehouse/Information Systems/Equipment Replacement Funds** account for print shop and warehouse activities, the central garage, the maintenance of City facilities and equipment, data processing and website services, and the purchase and replacement of capital outlay. The equipment replacement fund maintains a replacement reserve for capital outlay items to allow for purchase of replacement equipment without large fluctuations in the annual operating budgets. Both the City and Recreation and Park District maintain Central Services/Equipment Replacement Funds.

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The **Employees' Benefit Fund** accounts for leave time accumulated by employees, employee benefits and payroll liabilities, and the liabilities associated with other post retirement benefits. The operating funds are charged a fringe rate based on the payroll and those amounts are accumulated in this fund and paid out for items like health insurance, pension, leave time taken and retiree's medical reimbursements. This allows operating programs to be allocated for all personnel costs based on actual time worked. Both the City and Recreation and Park District maintain Employee Benefit Funds. These funds allow both the City and Park District to remain fully funded for leave time accrued.

The **Insurance Internal Service Funds include Public Liability and Workers' Compensation funds.** These funds are self-retention funds to fund claims that the City is self-insured for and pay insurance premiums. The City maintains a fund balance to cover outstanding claims and a actuarially determined reserve for claims incurred but not reported at a 90% confidence level. The operating departments are charged for these costs through the fringe rate (workers' compensation) and under insurance accounts in the operating budget (liability insurance).